

**PUBLIC DISCLOSURE**

JUNE 4, 2003

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

QUINCY MUNICIPAL CREDIT UNION

100 QUINCY AVENUE  
QUINCY, MA 02169

DIVISION OF BANKS  
ONE SOUTH STATION  
BOSTON, MA 02110

**NOTE:** This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.

## GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires the Division of Banks (Division) to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the needs of its assessment area, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of **QUINCY MUNICIPAL CREDIT UNION** prepared by the Massachusetts Division of Banks, the institution's supervisory agency.

### **INSTITUTION'S CRA RATING: This institution is rated "Satisfactory"**

A CRA rating of "Satisfactory" is assigned. A credit union in this group has a good record of ascertaining and helping to meet the credit needs of its membership including low and moderate-income borrowers, in a manner consistent with its resources and capabilities.

The credit union's compliance with the Community Reinvestment Act is evaluated based on three small institution performance criteria outlined in the Division's regulation 209 CMR 46.26.

The credit union's average net loan-to-deposit (share) for the previous eight quarters is 70.7 percent and meets the standards for satisfactory performance at this time.

For 2001, 2002 and year-to-date March 31, 2003, analysis of the credit union's residential and consumer lending activity by borrower income revealed that a good volume of loan originations was granted to low and moderate-income members. The credit union meets the standards of satisfactory performance in this area.

The credit union's fair lending performance is also considered to meet the standards of satisfactory performance.

## **PERFORMANCE CONTEXT**

### **Description of Institution**

Quincy Municipal Credit Union (QMCU) was incorporated under the laws of the Commonwealth of Massachusetts in 1937 to serve the employees of the City of Quincy. Quincy Municipal Credit Union is an industrial credit union with \$234,513,994 in total assets as of March 31, 2003. The credit union's only office is located at 100 Quincy Avenue in Quincy, Massachusetts.

QMCU's business hours are from 8:30 a.m. to 5:00 p.m., Monday through Thursday, with extended hours to 7:00 p.m. on Friday and Saturday morning from 8:30 a.m. to noon. Drive-up window service is available from 7:30 a.m. weekdays. Hours of operation appear convenient and accessible to members. Additionally, the credit union offers the convenience of Automated Teller Machine (ATM) service to its members. Off-site ATMs are located at Quincy City Hall, Quincy Hospital and Quincy Police Station. ATM cards issued by QMCU utilize the NYCE and Cirrus networks. The credit union is a member of the SUM network. QMCU allows its members eight free ATM transactions per month, and no additional surcharges if cardholders use SUM member machines.

In addition, the credit union offers telephone transaction services that provide account inquiries share to share transfers, deposit information, and N.O.W. checking information among other functions.

QMCU offers the convenience of computer home banking. Also offered to members with personal home computers is Q-Net, a computer bill paying system. All online services are free.

As of March 31, 2003, loans to members totaled \$129,048,244 or 55.0 percent of the institution's total assets. Credit services offered by the institution include automobile, personal, first mortgages, home equity lines of credit and home equity loans.

Credit products include, among others, a first time homebuyer program with a 5 percent downpayment requirement for first-time homebuyers and no closing costs; consumer loans with a ¼ percent reduction on interest rates if a member chooses the auto pay feature. credit card products with a 1 percent reduction on interest rate if the payment is automatically deducted from QMCU account; and home equity lines of credit offered at 1 percent below prime for life of loan.

First mortgage loans represent the largest number of loans in the portfolio at 36 percent. Used vehicle loans follow with 19.1 percent. Other real estate is next with 17.8 percent. The remaining portfolio consists of other unsecured, new vehicle, unsecured credit cards and other loans.

The following table depicts the credit union's loan portfolio composition based on the March 31, 2003 NCUA Call Report of Condition.

<b>LOAN PORTFOLIO COMPOSITION</b>		
<b>LOAN TYPE</b>	<b>\$(000's)</b>	<b>%</b>
First Mortgage	46,553	36.0
Used Vehicle	24,637	19.1
Other real estate	22,967	17.8
Other unsecured/Lines of credit	12,732	9.9
New Vehicle	12,468	9.7
Unsecured credit cards	7,657	5.9
All other	2,034	1.6
<b>TOTALS</b>	<b>129,048</b>	<b>100%</b>

Members are provided with direct deposit for payroll and automatic payroll deductions for loan payments.

The credit union was last examined for compliance with the Community Reinvestment Act (CRA) by the Division of Banks on May 10, 1999. That examination resulted in a CRA rating of "Satisfactory".

### **Description of Assessment Area**

In accordance with the requirements of 209 CMR, section 46.41, which states that a credit union whose membership is not based upon residence may define its assessment area as its membership, Quincy Municipal Credit Union has identified its membership as its assessment area. Quincy Municipal Credit Union's by-laws states, in part, that "membership in the credit union is limited to employees of the City of Quincy and members of their families and, as approved by a majority vote of the Board of directors, employees of companies having a contractual relationship with the City of Quincy. Persons not eligible for membership may have joint accounts with members of the credit union for purposes of deposit and withdrawal only."

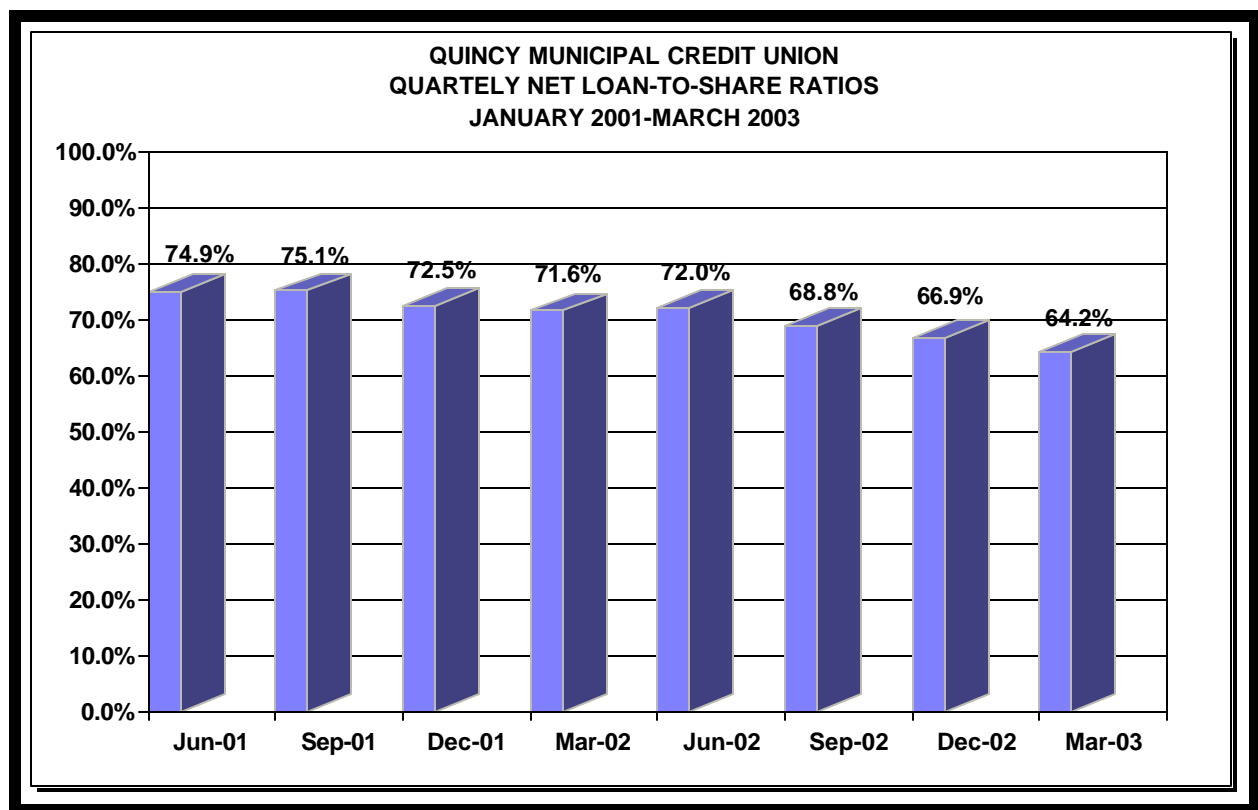
Current membership for the credit union as of March 31, 2003 totaled 17,998 individuals, out of a potential 25,000.

## **PERFORMANCE CRITERIA**

### **1. LOAN TO DEPOSIT (SHARE) ANALYSIS**

An analysis of QMCU's net loan-to-share ratio was performed using NCUA quarterly call report data for the period June 30, 2001, through March 31, 2003. The analysis was conducted to determine the extent of the credit union's lending compared to deposits received from its membership. The average net LTD for the period reviewed was 70.7 percent.

The following graph illustrates the loan to share trend.



Source: NCUA Call Reports

The analysis indicates that, over the period reflected in the above graph, QMCU's loan-to-share ratio was on a declining trend. According to management, members have liquidated their investment portfolios due to the current volatile climate of the investment market and have opted to place these proceeds in deposit accounts, which has subsequently caused the share accounts to increase substantially. However, borrowing has not increased simultaneously.

The table below presents a comparison of the QMCU's net loan to total share ratio to that of other industrial credit unions of similar size and type. As of March 31, 2003, QMCU had total assets of approximately \$234.5 million. The credit union's ratio was moderately low in comparison to the other municipal credit union's represented; however, at 67.0 percent, its performance is considered adequate.

<b>Comparative Net Loan to Total Deposit Ratios as of December 31, 2002</b>		
<b>Name of Institution</b>	<b>Total Assets \$(000)</b>	<b>Net LTD Ratios (%)</b>
<b>Quincy Municipal Credit Union</b>	\$223,835,991	<b>67.0</b>
Postal Community Credit Union	\$135,759,769	110.2
MBTA Employees Credit Union	\$156,898,380	92.5
City of Boston Credit Union	\$193,496,941	78.9

Based upon the credit union's asset size, its capacity to lend, and the credit needs of the membership, the analysis of Quincy Municipal Credit Union's (QMCU) net loan-to-share ratio indicates that the standards of satisfactory performance have been met.

## **2. DISTRIBUTION OF CREDIT AMONG DIFFERENT INCOME LEVELS**

The credit union's lending, based upon the analysis of residential and consumer loans by borrower income, meets the standards for satisfactory performance in providing credit to members of all income levels.

QMCU's Home Mortgage Disclosure Act (HMDA) Loan Application Register (LAR) data and a sample of consumer loans for the period January 1, 2001 through May 31, 2003, were reviewed in order to determine the distribution of credit based upon the income level of members. The income level was based on the median Family incomes within the Boston Metropolitan Statistical Area (MSA). The borrower income level was identified as the ratio of borrower income to the Median Family Income for the MSAs. The median family incomes for the Boston MSA was \$70,000, \$74,200 and \$80,800 for 2001, 2002, and 2003 respectively. These figures are based upon Department of Housing and Urban Development (HUD) information.

Low-income is defined by the U.S. Census Bureau as income below 50 percent of the median family income level for the MSA. Moderate-income is defined as 50 to 79 percent of the median family income. Middle-income is defined as income between 80 and 119 percent of the median family income. Upper-income is defined as income at or greater than 120 percent of the median family income.

## Residential Lending

The following tables indicate loans originated and categorized by the applicants' reported income in relation to the median family income for the Boston MSA. QMCU granted 92 HMDA reportable loans totaling \$12,180,000 in 2001, 190 loans totaling \$25,612,000 in 2002, and 37 loans totaling \$4,257,000 as of year-to-date March 31, 2003.

The table below indicates that 3.5 percent of HMDA loans were granted to low-income borrowers and 15.4 percent to moderate-income borrowers. The largest percent of loans at 47.3 percent was granted to individuals of upper-income, while 33.8 percent of residential loans were made to middle-income borrowers.

Residential Loan Originations by Income of Borrower, by Number								
% of Median MSA Income	2001		2002		Y-T-D 2003		TOTAL	
	#	%	#	%	#	%	#	%
<50%	1	1.2	7	3.5	3	8.2	11	3.5
50% - 79%	12	13.0	29	15.4	8	21.6	49	15.4
80% - 119%	28	30.4	71	37.4	9	24.3	108	33.8
120%<	51	55.4	83	43.7	17	45.9	151	47.3
<b>Total</b>	<b>92</b>	<b>100%</b>	<b>190</b>	<b>100%</b>	<b>37</b>	<b>100%</b>	<b>319</b>	<b>100%</b>

Source: HMDA/LAR reporting records 2001, 2002 and year-to-date March 31, 2003

The table below indicates that similar to the number of loans granted 1.9 percent of the dollar amount of loans was made to low-income borrowers, while 13.0 percent was made to moderate-income borrowers. The highest number of real estate loan originations by dollar amount, 53.4 percent, was also granted to individuals of upper-income, followed by middle-income borrowers at 31.7 percent.

Residential Loan Originations by Income of Borrower by Dollar Amount								
% of Median MSA Income	2001		2002		Y-T-D 2003		TOTAL	
	\$(000)	%	\$(000)	%	\$(000)	%	\$(000)	%
<50%	85	0.7	573	2.2	156	3.7	814	1.9
50% - 79	1,084	8.9	3,398	13.3	985	23.1	5,467	13.0
80% - 119%	3,701	30.4	8,766	34.2	857	20.1	13,324	31.7
120%<	7,310	60.0	12,875	50.3	2,259	53.1	22,444	53.4
<b>Total</b>	<b>12,180</b>	<b>100%</b>	<b>25,612</b>	<b>100%</b>	<b>4,257</b>	<b>100%</b>	<b>42,049</b>	<b>100%</b>

Source: HMDA/LAR reporting records 2001, 2002 and year-to-date March 31, 2003

## Consumer Lending

Consumer loans granted in 2001, 2002 and YTD May 31, 2003 were sampled and reviewed for borrower income levels. Quincy Municipal Credit Union granted 1,999 consumer loans totaling \$26,333,673 in 2001, 2,213 consumer loans totaling \$26,873,523 in 2002 and 1,467 loans totaling \$19,052,018 as of YTD May 31, 2003.

A sample of 79 loans totaling \$1,122,000 was taken to represent consumer lending for the examination period. The following table provides a breakdown of the sample of consumer loans originated among the credit union's membership by applicant income level. The analysis indicated that 55.6 percent of the loans was granted to low and moderate-income members and 33 percent to middle-income members. The smallest amount representing 11.4 percent was granted to members of upper income.

Consumer Loan Originations by Income of Borrower by Number								
% of Median MSA Income	2001		2002		Y-T-D 2003		TOTAL	
	#	%	#	%	#	%	#	%
<50%	7	25.0	11	38.0	4	18.2	22	27.8
50% - 79%	7	25.0	7	24.1	8	36.4	22	27.8
80% - 119%	9	32.1	10	34.5	7	31.8	26	33.0
120% >	5	17.9	1	3.4	3	13.6	9	11.4
<b>Total</b>	<b>28</b>	<b>100%</b>	<b>29</b>	<b>100%</b>	<b>22</b>	<b>100%</b>	<b>79</b>	<b>100%</b>

Source: In-House Files



The table below indicates that, by dollar amount, 53.2 percent of the consumer loans was to low and moderate-income members, 34.8 percent to middle-income members, and 12.0 percent was to members of upper income.

<b>Consumer Loan Originations by Income of Borrower by Dollar Amount</b>								
<b>% of Median MSA Income</b>	<b>2001</b>		<b>2002</b>		<b>Y-T-D 2003</b>		<b>TOTAL</b>	
	<b>\$(000)</b>	<b>%</b>	<b>\$(000)</b>	<b>%</b>	<b>\$(000)</b>	<b>%</b>	<b>\$(000)</b>	<b>%</b>
<50%	106	27.0	115	29.5	55	16.3	276	24.6
50% - 79%	93	23.7	98	25.1	130	38.2	321	28.6
80% - 119%	112	28.6	167	42.8	111	32.6	390	34.8
120% >	81	20.7	10	2.6	44	12.9	135	12.0
<b>Total</b>	<b>392</b>	<b>100%</b>	<b>390</b>	<b>100%</b>	<b>340</b>	<b>100%</b>	<b>1122</b>	<b>100%</b>

Source: In-House Files

The credit union's lending is represented in all categories of income of its membership. It should be noted that the majority of the consumer loans were granted to single applicants. Therefore, the percentage of originations occurring in low and moderate-income levels is somewhat higher, due to the use of median family income.

The distribution of credit among borrowers of various incomes reflects a good penetration among individuals of different income levels, including those of low and moderate-income. This penetration meets the standards for satisfactory performance.

### **3. REVIEW OF COMPLAINTS AND FAIR LENDING POLICIES AND PRACTICES**

Based upon the review of the credit union's public comment file and its performance relative to fair lending policies and practices, the institution meets the standards for satisfactory performance.

On April 15, 1998, Quincy Municipal Credit Union adopted a Fair Lending Policy, which was reaffirmed by the Board of Directors in November 2002.

The credit union's staff training is acceptable. Several staff members have attended seminars and conferences featuring lending and compliance issues. The lending staff has implemented alternative lending strategies, for which the potential borrowers may qualify in instances where personal financial issues are considered during the application process,

The credit union's marketing activity includes placing information on its credit products and services in public view within the main lobby of its sole main office and also, informational posters and brochures are placed in Quincy Municipal Department offices. The credit union includes statement stuffers in correspondence sent out to the membership.

The credit union has shown substantial activity in assisting its membership with credit needs and circumstances. There were many instances where the credit union entered into "work-out" agreements with members who were trying to reestablish their credit after bankruptcies.

The criterion for the various types of credit offered, as well as the procedures for completing a loan application were reviewed during the examination. No practices intended to discourage applications were found.

The credit union has a second review policy where all denied applications are reviewed by either the Vice President of lending or the Chief Operating Officer and all denied applications are reviewed by the Credit Committee on a monthly basis.

The credit union is involved in several community organizations and programs which include Father Bill's Homeless Shelter and the Quincy Youth Arena, the Quincy School-Community Partnership Program, and Quincy 2000-Sponsorship City-wide economic development program.

### **Minority Application Flow**

During the period examined, the credit union received a total of 341 residential loan applications. Of these, only 6 applications or 1.76 percent were received from minorities. All of the 6 applications received from minorities were originated.

While the racial composition of the credit union membership or the employee base of the City of Quincy is not available, the credit union's minority application rate seems low in view of the rather large minority population within the City of Quincy. According to 2000 Census data, Quincy has a minority population representing 20.4 percent of all residents

Racial data on borrowers of consumer loans, which represent the greatest volume of credit union loans, was not available. Consequently, given the above information, Quincy Municipal Credit Union's minority application flow is considered to be adequate.

## **Charitable Contributions**

Quincy Municipal Credit Union has demonstrated an adequate level of responsiveness to community housing and economic development needs.

The credit union has contributed approximately \$22,000 to organizations that provide neighborhood revitalization, youth programs, and health and human services for individuals. Some of the organizations that received grants include Quincy Police Patrolman's Association, Quincy D.A.R.E, Quincy Neighborhood Housing Services, Father Bill's Homeless Shelter, Massachusetts Credit Union League-Affordable Housing Homeless Trust, Quincy Medical Center, and Quincy Food Drive.

**THE COMMONWEALTH OF MASSACHUSETTS**

To the COMMISSIONER OF BANKS:

THIS IS TO CERTIFY, that the report of examination of the

**QUINCY MUNICIPAL CREDIT UNION**

for compliance with applicable consumer and fair lending rules and regulations and the Community Reinvestment Act (CRA), as of the close of business **JUNE 4, 2003**, has been read to or by the undersigned and the matters referred to therein will have our immediate attention.

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A majority of the Board of Directors/Trustees

Dated at \_\_\_\_\_ this \_\_\_\_\_ day of \_\_\_\_\_ 20 \_\_\_\_\_

## PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at (Address at main office)."

[Please Note: If the institution has more than one assessment area , each office (other than off-premises electronic deposit facilities) in that assessment area shall also include the address of the designated office for that assessment area.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee, which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.